

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 57922

SKAMANIA COUNTY, WASHINGTON

January 1, 1995 Through December 31, 1995

Issue Date: December 27, 1996

TABLE OF CONTENTS

	Page
<hr/> Management Section <hr/>	
Independent Auditor's Report On Compliance With Laws And Regulations At The Financial Statement Level (Plus Additional State Compliance Requirements Per RCW 43.09.260)	M-1
Independent Auditor's Report On Internal Control Structure At The Financial Statement Level	M-3
Schedule Of Findings:	
1. The Skamania County Auditor's Office Should Charge Its Fees According To Law	M-5
2. Skamania County Auditor Should Improve Recordkeeping For Minutes Of The Board Of County Commissioners	M-6
3. The County Should Process All Employee Compensation Through Its Payroll System And Improve Controls Over Time Keeping Documents . . .	M-7
4. The Sheriff's Office Should Establish Procedures For Tracking Disposition Of Citations	M-9
<hr/> Financial Section <hr/>	
Independent Auditor's Report On Financial Statements And Additional Information	F-1
Financial Statements:	
Fund Resources And Uses Arising From Cash Transactions - 1995	F-3
Notes To Financial Statements	F-15
Additional Information:	
Additional Information Regarding Audits Of Special Purpose Districts Included In Trust And Agency Funds	F-28
Schedule Of State Financial Assistance - 1995	F-29
<hr/> Single Audit Section <hr/>	
Independent Auditor's Report On Supplementary Information Schedule Of Federal Financial Assistance	S-1
Schedule Of Federal Financial Assistance - 1995	S-2
Notes To Schedule Of Federal Financial Assistance	S-5
Independent Auditor's Report On Compliance With The General Requirements Applicable To Federal Financial Assistance Programs	S-6
Independent Auditor's Report On Compliance With Specific Requirements Applicable To Major Federal Financial Assistance Programs	S-8
Independent Auditor's Report On Compliance With Specific Requirements Applicable To Nonmajor Federal Financial Assistance Program Transactions	S-10
Independent Auditor's Report On Internal Control Structure Used In Administering Federal Financial Assistance Programs	S-11
Status Of Prior Findings	S-14
<hr/> Addendum <hr/>	
Directory Of Officials	A-1

SKAMANIA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Compliance With Laws And Regulations
At The Financial Statement Level (Plus Additional State Compliance
Requirements Per RCW 43.09.260)**

Board of Commissioners
Skamania County
Stevenson, Washington

We have audited the financial statements, as listed in the table of contents, of Skamania County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated October 3, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Skamania County is the responsibility of the county's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the county complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the county's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the county and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted instances of noncompliance immaterial to the financial statements which are identified in the Schedule of Findings accompanying this report.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

October 3, 1996

SKAMANIA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Internal Control Structure
At The Financial Statement Level**

Board of Commissioners
Skamania County
Stevenson, Washington

We have audited the financial statements of Skamania County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated October 3, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the county is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the prescribed basis of accounting. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the county, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters involving the internal control structure and its operation that we consider to be reportable conditions are included in the Schedule of Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the Schedule of Findings is a material weakness.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

October 3, 1996

SKAMANIA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

Schedule Of Findings

1. The Skamania County Auditor's Office Should Charge Its Fees According To Law

During our review of the Skamania County Auditor's Office, we found that the required fees (\$1 per copy) were not charged for preparing noncertified copies for the public, nor for two title companies.

The auditor's office charged \$.50 per page for preparing noncertified copies for the public. The office made almost 2,600 of these copies during 1995. Consequently, the undercharge cost the county approximately \$1,300 in lost revenue.

Additionally, the auditor's office has a contract with two title companies, which allows them each to pay a flat rate of only \$125 per month for copies. According to auditor's office records, they prepared 6,823 copies for each of the companies during 1995. For this service, the individual companies paid only \$1,500. This represents a revenue loss of \$10,646 to the county.

RCW 36.18.010 states in part:

County auditors or recording officers shall collect the following fees for their official services:

. . . for preparing noncertified copies, for each legal size page, one dollar
. . . .

Incorrectly charging for the copies resulted in total revenue loss of nearly \$11,950 during 1995. The county auditor believed that his contract with the title companies entitled him to set a special rate for these customers. He did not give a reason for undercharging the general public. We find no legal authority for the auditor to charge an amount different from that required by law.

We recommend that the Skamania County Auditor's Office charge only the specified copy fees and cease the practice of allowing a special rate for the title companies or any other class of customers not provided for in the law.

Auditee's Response

The board of county commissioners responded to our finding as follows:

The Skamania County Auditor has posted a sign in the Auditor's Office notifying the public of the \$1.00 fee for noncertified copies. The Auditor's staff has been instructed to charge the correct fee.

The Auditor has requested the Skamania County Prosecuting Attorney to review the existing contracts and to assist the Auditor in resolving contract issues to comply with the law.

2. Skamania County Auditor Should Improve Recordkeeping For Minutes Of The Board Of County Commissioners

We found that the clerk of the board of county commissioners (Skamania County Auditor) is not following state law in maintaining the minutes of the board of county commissioners meetings. Exceptions noted during our review are summarized as follows:

- a. Board minutes were not submitted by the auditor's office to the county commissioners for approval in a timely manner. Of the 80 meetings reviewed during the period January 1, 1995, through June 24, 1996, the minutes from 28 meetings were submitted for approval more than 15 days after the meeting, with minutes of one meeting as long as 42 days after the meeting.
- b. Official minutes kept by the auditor's office were disorganized and incomplete. The auditor's staff did not provide the official minutes for our review until two days after they were requested. When finally provided, the minutes did not include any attachments, which were a part of the official meetings record. The employee responsible for these documents informed us that she had the attachments, although not properly filed.
- c. Minutes of seven meetings did not appear to be publicly approved. However, during further review we determined that the minutes from these meetings were approved during open public meeting, but the approval was not documented in the official minutes.
- d. Official resolutions were disorganized and incomplete. As clerk of the board, the auditor's office is also responsible for keeping the board resolutions. We found several resolutions were missing from the file folder, and the file sometimes contained copies instead of the original documents.

RCW 36.22.020 states:

It shall be the duty of the county auditor of each county, within fifteen days after the adjournment of each regular term, to publish a summary of the proceedings of the board of county commissioners at such term, in any newspaper published in the county or having a general circulation therein, or the auditor may post copies of such proceedings in three of the most public places in the county.

RCW 36.32.140 states in part:

The board of county commissioners shall cause to be recorded, in a book kept for that purpose, all their proceedings and determinations touching all matters cognizable before it; all books, accounts, vouchers, and papers, touching the business or property of the county shall carefully be kept by the clerk

RCW 42.32.030 states:

The minutes of all regular and special meetings, except executive sessions of such boards, commissions, agencies or authorities shall be promptly recorded and such records shall be open to public inspection.

The auditor's office's tardiness in providing minutes to the board, has resulted in the untimely review and approval by the board of county commissioners, and untimely publishing of the minutes. County employees indicate that the conditions cited have resulted in a number of citizen complaints about the condition and accessibility of the minutes and related public documents.

We recommend that the official Skamania County Commission meeting minutes be submitted timely to the board of commissioners for approval so that they may be published in a punctual manner according to law. We also recommend that the board minutes, including all attachments approved by the commissioners, be filed by the county auditor in a more organized manner.

Auditee's Response

The board of county commissioners responded to our finding as follows:

The Board of Commissioners have discussed the problems with the Auditor and his assigned staff. The Board and the Auditor recognize the need to have Commissioner records in an organized and complete manner and the minutes prepared and approved in a timely manner. The Auditor is currently reviewing a proposal by the Board of Commissioners to address the concerns raised in the audit. The Auditor and the Commissioners have committed to resolve how the Clerk of the Board activities will be handled by November 15, 1996.

3. The County Should Process All Employee Compensation Through Its Payroll System And Improve Controls Over Time Keeping Documents

During our review of the county's payroll system we found noncompliance with federal and state payroll statutes and weaknesses in internal controls over timecards as detailed below:

- Employee Paid As A Contractor) The county has a full time employee who also worked primarily on weekends processing Civil Service applications. When performing Civil Service duties, the county considered the individual an independent contractor and did not report her wages and weeks of work to the Washington State Employment Security Department. Additionally, they did not deduct or pay federal payroll taxes or state retirement benefits on these wages. Further, the hours she worked were paid separately from other duties performed for the county and were not considered in overtime calculations.

Our review indicates this individual was also a full time employee of the county and thereby did not meet the independence criteria of the statutes cited below. According to RCW 50.04.140, remuneration for services rendered by an individual is reportable employment unless it can be shown that the individual meets all three of the following tests of independence:

- (a) Such individual has been and will continue to be free from control or direction over performance of such service, both under his or her contract of service and in fact; and (b) Such service is either outside the usual course of business for which such service is performed, or that such service is performed outside all the places of business of the enterprises for which such service is performed; and (c) Such individual is customarily engaged in an independently established trade, occupation, profession, or business, of the same nature as that involved in the contract of service.

Additionally, Internal Revenue Service (IRS), Circular E, Publication 15, also provides that if the employer has the legal right to control the method and result of the service, the individual is an employee.

- **Lack Of Timekeeping Documentation)** In at least six county departments, including the prosecuting attorney's office, clerk's office, District Court, Superior Court, extension agent, and historical museum; supervisors or their designees use planning calendars and other similar documents to record employee hours worked and leave taken. The employees in these departments do not certify the accuracy of hours reported.

RCW 43.09.200 states in part:

The state auditor, through such division, shall formulate, prescribe, and install a system of accounting and reporting which shall be uniform for every public institution, and every public office . . . The accounts shall show the receipt, use and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other **documents kept or required to be kept, necessary to isolate and prove the validity of every transaction** (Emphasis ours.)

Paying employees outside of the payroll system exposes them to liability for retirement payments, state and federal payroll taxes, and related penalties. The absence of employee verified time records increases the risk that incorrect or improper payroll expenditures could be processed.

We recommend the county pay all individuals through the payroll system, unless they meet all the tests of independence according to the requirements of state and federal agencies. In addition, we recommend the county develop and enforce policies requiring time records, signed by employees, as documentation for all payroll payments.

Auditee's Response

The board of county commissioners responded to our finding as follows:

As of November 1996, the County will not pay any employee on an independent contractor basis for any work performed for the County.

The Skamania County Auditor will notify all departments of their obligation to keep appropriate time records in writing by November 8, 1996.

4. The Sheriff's Office Should Establish Procedures For Tracking Disposition Of Citations

The Skamania County Sheriff's Office issues citations which are forwarded to various local courts. During our audit, we found that the sheriff's office kept no record of the final disposition of the citations. Although recorded in a database by issue date order, no final audit of the citations was performed as provided in the law. RCW 46.64.010 states:

. . . Such chief administrative officer shall also maintain or cause to be maintained in connection with every traffic citation issued by an officer under his supervision a record of the disposition of the charge by the court

or its traffic violations bureau in which the original or copy of the traffic violation was deposited

RCW 46.64.010 also states:

. . . Every record of traffic citations required in this section shall be audited monthly by the appropriate fiscal officer of the government agency to which the traffic enforcement agency is responsible

The sheriff's office has not established the required procedures. This deficiency has resulted in a lack of citation accountability. Absent required controls, revenues could be missing and irregularities in citation disposition could occur and not be detected in a timely manner.

We recommend that the sheriff and court officials develop and implement procedures for tracking citations. We further recommend the sheriff's office perform the appropriate audit oversight as required by statute.

Auditee's Response

The county sheriff responded to our finding as follows:

A currently hired employee from the civil staff will be assigned to a night shift which will allow them to spend time running current citations through the District Court for status updates.

I have made contact with the Central Services manager to link us to the court's computer system for a "Read Only" capability. We can then bi-monthly track our cited defendants for the current status of their case. The status will then be entered on the department's copy.

Auditor's Concluding Remarks

We thank county officials for their commitment to taking the necessary corrective actions. We will review the corrective actions taken in our next audit.

SKAMANIA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Financial Statements And Additional
Information**

Board of Commissioners
Skamania County
Stevenson, Washington

We have audited the accompanying statements of Fund Resources and Uses Arising from Cash Transactions of the various funds of Skamania County, Washington, for the fiscal year ended December 31, 1995. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1c to the financial statements, the county prepares its financial statements on the cash basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the recognized revenues and expenditures of the funds of Skamania County for the fiscal year ended December 31, 1995, on the cash basis of accounting described in Note 1c.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 3, 1996, on our consideration of the county's internal control structure and a report dated October 3, 1996, on its compliance with laws and regulations.

Brian Sonntag
State Auditor

October 3, 1996

SKAMANIA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

Independent Auditor's Report On Supplementary Information
Schedule Of Federal Financial Assistance

Board of Commissioners
Skamania County
Stevenson, Washington

We have audited the financial statements of Skamania County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated October 3, 1996. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of Skamania County taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag
State Auditor

October 3, 1996

SKAMANIA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Compliance With The General Requirements
Applicable To Federal Financial Assistance Programs**

Board of Commissioners
Skamania County
Stevenson, Washington

We have audited the financial statements of Skamania County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated October 3, 1996.

We have applied procedures to test the county's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995:

- Political activity
- Davis-Bacon Act
- Civil rights
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements, including subrecipient monitoring

The following requirements were determined to be not applicable to its federal financial assistance programs:

- Cash management
- Relocation assistance and real property acquisition

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the county had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

October 3, 1996

SKAMANIA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Compliance With Specific Requirements
Applicable To Major Federal Financial Assistance Programs**

Board of Commissioners
Skamania County
Stevenson, Washington

We have audited the financial statements of Skamania County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated October 3, 1996.

We also have audited the county's compliance with the requirements applicable to its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995. Those requirements include:

- types of services allowed or unallowed
- matching, level of effort, or earmarking
- reporting
- special tests and provisions related to certification of vouchers and materials sampling and testing for the Federal Highway Planning and Construction grant (CFDA 20.205) as described in the OMB *Compliance Supplement for Single Audits of State and Local Governments*
- claims for advances and reimbursements
- and amounts claimed or used for matching

The management of the county is responsible for the county's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Skamania County complied, in all material respects, with the requirements referred to in the second paragraph of this report that are applicable to its major federal financial assistance programs for the fiscal year ended December 31, 1995.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

October 3, 1996

SKAMANIA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Compliance With Specific Requirements
Applicable To Nonmajor Federal Financial Assistance Program Transactions**

Board of Commissioners
Skamania County
Stevenson, Washington

We have audited the financial statements of Skamania County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated October 3, 1996.

In connection with our audit of the financial statements of the county and with our consideration of the county's control structure used to administer its federal financial assistance programs, as required by OMB Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to nonmajor federal financial assistance programs for the fiscal year ended December 31, 1995. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing allowability of the program expenditures that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that Skamania County had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

October 3, 1996

SKAMANIA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Internal Control Structure Used In
Administering Federal Financial Assistance Programs**

Board of Commissioners
Skamania County
Stevenson, Washington

We have audited the financial statements of Skamania County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated October 3, 1996. We have also audited their compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated October 3, 1996.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the county complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit, we considered the county's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance with requirements applicable to major federal assistance programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated October 3, 1996.

The management of the county is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the prescribed basis of accounting.
- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
 - Cash receipts
 - Cash disbursements
 - Receivables
 - Accounts payable
 - Purchasing and receiving
 - Payroll
 - Property, plant, and equipment
- **General Requirements**
 - Political activity
 - Davis-Bacon Act
 - Civil rights
 - Federal financial reports
 - Allowable costs/cost principles
 - Drug-Free Workplace Act
 - Administrative requirements, including subrecipient monitoring
- **Specific Requirements**
 - Types of services
 - Matching, level of effort, earmarking
 - Reporting
 - Special requirements
- **Claims For Advances And Reimbursements**
- **Amounts Claimed Or Used For Matching**

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
 - Inventory control
 - General ledger
- **General Requirements**
 - Cash management
 - Relocation assistance and real property acquisition
- **Specific Requirements**
 - Eligibility

During the fiscal year ended December 31, 1995, the county expended 92 percent of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the county's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

October 3, 1996

SKAMANIA COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

Status Of Prior Findings

The findings contained in the prior audit report were resolved as follows:

1. Controls Over Cash Receipting In Solid Waste Should Be Improved

Resolution: The county has implemented new controls.

2. The County Should Monitor Compliance With The Davis-Bacon Act

Resolution: The county is now more closely monitoring these requirements.